



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Diane Todd Sprague, Director

DATE: November 18, 2004

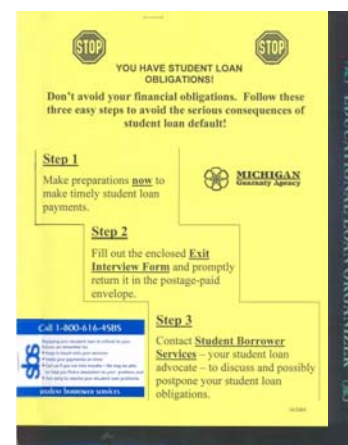
SUBJECT: Educational Loan Notes

MGA'S EXIT PACKET FOR WITHDRAWN STUDENTS

The Michigan Guaranty Agency (MGA) is pleased to announce the release of the *Exit Packet for Withdrawn Students*, a new resource to use in your default aversion activities. Per discussions at MGA Default Aversion Task Force meetings and in light of recent statistical analysis, it has become clear that there continues to be a need for schools to somehow reach out and help the withdrawn student borrower avoid the serious consequences of default. Within MGA's total loan portfolio for Cohort Year 2002, over 80 percent of all defaulted borrowers were withdrawn students. Some of those students may wish to return to school to finish their education, but will be unable to do so because of their defaulted loans.

Each *Exit Packet for Withdrawn Students* includes:

- A brightly colored flyer stating the borrower has student loan obligations.
- A card containing Student Borrower Services' (SBS) toll-free number and repayment tips.
- MGA's Educational Loan Organizer.
- Two brochures – one on how to avoid default and one listing the consequences of default.
- An Exit Interview Form.
- Two postage-paid envelopes: one for schools to mail the packet to the borrower and one for borrowers to return the Exit Interview Form directly to MGA.



Although the *Exit Packet for Withdrawn Students* includes little new information, our goal is to keep withdrawn students out of default by achieving three main objectives:

- Make the borrower aware of his or her student loan obligations.
- Prompt the borrower to fill out an Exit Interview Form.
- Streamline all contact to a single source – Student Borrower Services (SBS).

SBS will be able to facilitate a conference call with the borrower's lender or lender servicer, mail deferment and forbearance forms, update enrollment status, and review with them their repayment options. This exit packet meets all federal requirements while delivering vital information simply and efficiently.

You may order these packets by contacting MGA at 1-800-642-5626, extension 36074, or by going to the michigan.gov/mistudentaid main page, and selecting "Resources," followed by "Ordering Supplies," and then "[MGA In-house Supplies Order Form](#)." We hope that this resource will continue to help you in your default aversion activities by reaching out to withdrawn students.

INTRODUCING CHARLOTTE WOLF

Charlotte Wolf, executive secretary to Diane Todd Sprague, came to the Michigan Guaranty Agency (MGA) in June following Diane's appointment as MGA's new director. Charlotte's position entails a wide variety of duties, and she is still in the process of learning the many aspects of her new role within the agency.

For 15 years prior to joining MGA, Charlotte worked for the Michigan Higher Education Assistance Authority's (MHEAA) Office of Scholarships and Grants. During her tenure there, she saw many changes in the operations within that office, and she cites the development of their online Web-based system as being the most sweeping and important.

Before joining the Office of Scholarships and Grants, Char was a member of the financial aid team at Cooley Law School where she



Charlotte Wolf, Executive Secretary

provided administrative support, processed applications, and advised students on financial aid issues. She is a graduate of Lansing Community College and a former employee of her alma mater as well, having worked as the secretary for LCC's Department of Management and Marketing.

Charlotte has made quite an impression on her new coworkers for her style – evidenced by the wide variety of beautiful pins she wears and by the pictures and other objects that adorn her work space and soften the effects of an office cubicle. It is certain that she has also been putting that style to good use as she settles into the condo she recently purchased.

The enjoyment Charlotte receives from life in her new home is compounded by the wildlife just outside her door – deer and wild turkeys abound in her area. But can you imagine her surprise when she spotted one of those turkeys preening right on her deck? Perhaps he was expecting an invitation to Thanksgiving dinner.

EXTENSION OF REAUTHORIZATION OF THE HIGHER EDUCATION ACT

On October 25, 2004, President Bush signed into law H.R. 5185, the Higher Education Extension Act. This legislation extends the period for reauthorization of the Higher Education Act's student loan program through September 30, 2005. If you would like current information regarding reauthorization proposals, issues, and access to the U.S. Department of Education's (ED) Reauthorization Web pages, please go to www.nchelp.org/pages/page.cfm?id=62.

TAXPAYER-TEACHER PROTECTION ACT OF 2004 BECOMES LAW

The [Taxpayer-Teacher Protection Act of 2004](#) was signed into law by President Bush on October 30. The legislation contains two primary components:

- Reduction of special allowance payments on some tax-exempt fundings.
- Expansion of the student loan forgiveness provisions for qualifying teachers.

Teachers qualifying for loan forgiveness under the new law must be "highly qualified" as defined in section 9101 of the Elementary and Secondary Education Act of 1965. The law expands the maximum amount eligible for forgiveness to \$17,500 from the previous \$5,000 for secondary school teachers who teach math or science or for elementary or secondary school teachers who teach special education. The provisions of this new legislation are applicable to new borrowers on or after October 1, 1998, and before October 1, 2005.

ED will issue policy and implementation guidance, as well as amended forms to comply with the new provisions in the near future.



MAPPING YOUR FUTURE PLUS LOAN GUIDE AVAILABLE IN SPANISH

Mapping Your Future's (MYF) new PLUS Loan Guide is now available in Spanish on the MYF site at mapping-your-future.org/espanol/paying/plusguide.htm.

English- and Spanish-speaking prospective and current PLUS borrowers can read PLUS content page-by-page, download a print-friendly guide, or select from a variety of topics and resources, including:

- Applying for a Federal PLUS Loan
- Alternatives to Federal PLUS Loans
- Understanding Student Loan Borrowing
- Repayment of the Federal PLUS Loan
- Interest Rates
- Loan Repayment Calculator
- Solutions for Loan Repayment Problems
- Deferments/Forbearances
- PLUS Loan Delinquency and Default

If you have questions regarding the PLUS Loan Guide or other Spanish features, contact carianne.behr@mapping-your-future.org or call 573-634-8641.

NSLDS REPORTING REMINDER

Federal law requires lenders and lender servicers to report to their guarantors all status changes throughout the life of a loan. MGA encourages its lenders to report status changes on a monthly basis. It is crucial that loan information is updated and reported in a timely manner so MGA loan data will match the information on the lender's system. This will ensure that the information sent to the National Student Loan Data System (NSLDS) is accurate.

Status changes to report include, but are not limited to:

- Enrollment status changes
- Cancellation of all or a portion of the loan
- Loan sales or transfers
- Disbursement date changes
- Date loans enter repayment
- Loans that have been paid-in-full or consolidated

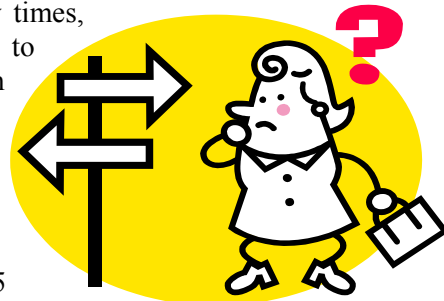
Forms currently used by lenders to report changes are:

- Loan Maintenance form
- Loan Change form
- Disbursement Change form
- Borrower/Student Personal Information form
- Sub\unsub Reallocation form

If you need to order forms please visit our Web site at michigan.gov/mistudentaid; click on "Resources" and then "Ordering Supplies." If you require assistance with reporting to the NSLDS or have other questions or concerns regarding NSLDS reporting, please contact Betty Calloway, Lender Services Specialist, at extension 39639, or via email at callowayb@michigan.gov.

WHICH WAY DID THEY GO?

As some of you may have heard, the Michigan Guaranty Agency is moving. The move dates have changed a few times, so we are not able to provide specifics on all five of the "Ws".



Who – MGA staff

What – Moving

When – Spring 2005

Where – The Claims and Collections Section, including Administrative Support staff are moving to the Treasury Operations Center at the State Secondary Complex. The remainder of MGA will be moving to the Treasury building in Lansing.

Why – To move "like" functions of the Treasury department to a central location.

As a result, staff members moving to the Operations Center will have new telephone numbers. Staff going to the Treasury building will maintain their current telephone numbers. You will receive an updated telephone list (and any other relevant change information) closer to the move dates.



LENDER LIST UPDATES

School personnel should record the following actions on the "Participating Lender List" dated October 25, 2004. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact Pat Fromm at extension 36076.

Name Change

Dart National Bank, 817422, changed its name to Dart Bank.

Newly Participating Lender

Bank of Lake Mills/Student Loan Xpress, 823584, c/o LoanStar Systems, Inc., P.O. Box 4940, Bryan, TX 77805-4940, 800-829-4599.

Referral Program

Chief Pontiac Federal Credit Union, 833196, c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone number: 800-874-3150. This lender participates in the Comerica referral loan program and was inadvertently omitted from the lender list.

Rockford Community Federal Credit Union, 830110, c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone number: 800-874-3150. This lender has joined the Comerica referral loan program.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated August 4, 2004. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

Address Change

Howell College of Cosmetology, Howell, 025946-00

This campus has moved to 1800 Dorr Road, Howell, MI 48843. The telephone and fax numbers will remain the same.

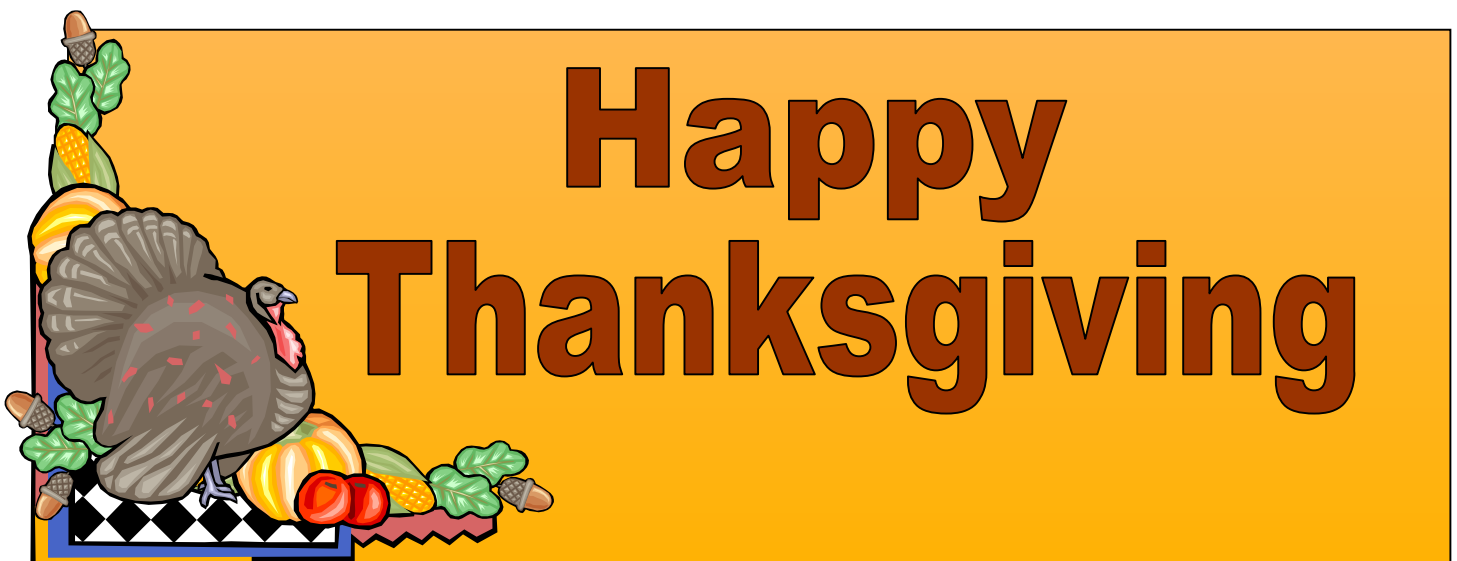
Contact Name Change

Eastern Michigan University, Ypsilanti, 002259-00

Delete Cynthia VanPelt. The new contact is Stephanie Petsch, Associate Director. Her telephone number is 734-487-1046 and fax number is 734-487-0174. Stephanie's email address is stephanie.petsch@emich.edu.

Detroit Business Institute-Downriver, Riverview, 030057-00

Delete Terry Simrell. The new contact is Lanie R. Offman, Financial Aid Officer. Her telephone number is 734-479-0660 and fax number is 734-479-0738.



“Q” AND “A”**What is the life cycle of a student loan?**

The life of a Stafford or PLUS loan spans three phases:

- Phase 1: Origination
- Phase 2: The Interim Period
- Phase 3: Repayment

What occurs during origination?

The life of a Federal Family Education Loan Program (FFELP) loan always begins with the borrower's request for a loan and the school's certification of the borrower's eligibility. After the borrower has requested a loan and the school has certified that the borrower is eligible, the lender then approves the loan and applies for the guarantee. Additional steps that occur during origination include the guarantor review of the loan, lender disbursement of the loan, and the school delivery of the loan proceeds to the borrower.

What occurs during the interim period?

In this phase the school and lender manage the loan while the borrower or student is in school or in any grace period to which the borrower is entitled. It is during the interim period that the school is required to keep track of and report on the student's enrollment status, anticipated graduation date, and changes in address. The lender also begins preparing for the borrower to enter repayment.

The interim period is **not** applicable on PLUS loans! PLUS loan borrowers enter repayment immediately upon full disbursement of the loan.

Where can I find the specific responsibilities that we have during the interim period?

For more information on school and lender responsibilities during the interim period, see Chapter 2.2.B and Chapter 9 of the Common Manual (available at <http://www.nchelp.org/elibrary/CommonManual/icm0904.pdf>).

What occurs during the repayment period?

During the repayment period the lender maintains or services the loan. Servicing and maintenance takes place from the time the borrower is to begin making payments until one of the following occurs:

- The loan is paid in full by the borrower.
- The loan is paid in full by a Consolidation loan.
- The loan is paid as a claim by the guarantor.
- The loan is fully discharged or forgiven.

Where can I find out more detailed information on a school's responsibilities during the life of a student loan?

FFELP participants may consult several resources for more information on the life of a student loan including:

- The Higher Education Act of 1965, as amended.
- Volume 34 of the Code of Federal Regulations.
- Dear Colleague Letters and Dear Partner Letters.
- The Federal Student Aid Handbook.
- The Application and Verification Guide.
- The Cohort Default Rate Guide.

What if I do not currently have access to those resources?

The Michigan Guaranty Agency can provide assistance in obtaining and locating all of the resources listed above. Call 1-800-642-5626, extension 31940 to inquire about any resources you may need.

**Information for this article was obtained from the Common Manual, Chapter 2 Sections 2-3.B.*



Calendar of Upcoming Events

November

25-26 MGA Office Closed

30-12/3 U.S. Department of Education
Electronic Access Conference (EAC)
Las Vegas, Nevada

December

13 MGA Life Skills Train-the-Trainer Workshop
Wayne State University, Farmington Hills
Farmington Hills, Michigan

14 MGA Life Skills Train-the-Trainer Workshop
Grand Valley State University
Allendale, Michigan

14 Mapping Your Future Evening Chat
Loan Consolidation

15 Guaranty Agency Advisory Committee Meeting
State Library and Museum
Lansing, Michigan

23-24 MGA Office Closed

30-31 MGA Office Closed

January

11 Mapping Your Future Evening Chat
FAFSA, financial aid, and careers.

17 MGA Office Closed

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via email at petersonj@michigan.gov.

LOAN NOTES

NOVEMBER 2004

<i>MGA's Exit Packet for Withdrawn Students</i>	<i>Page 1</i>	<i>Which Way Did They Go? MGA Prepares to Move</i>	<i>Page 3</i>
<i>Introducing Charlotte Wolf.....</i>	<i>Page 2</i>	<i>Lender List Updates</i>	<i>Page 4</i>
<i>Extension of Reauthorization of Higher Education Act.....</i>	<i>Page 2</i>	<i>School List Updates</i>	<i>Page 4</i>
<i>Taxpayer-Teacher Protection Act of 2004.....</i>	<i>Page 2</i>	<i>"Q" and "A".....</i>	<i>Page 5</i>
<i>Mapping Your Future PLUS Loan Guide Available in Spanish.....</i>	<i>Page 3</i>	<i>Calendar of Upcoming Events.....</i>	<i>Page 6</i>
<i>NSLDS Reporting Reminder</i>	<i>Page 3</i>		